



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 18, 1999

H.R. 974

District of Columbia College Access Act

*As ordered reported by the Senate Committee on Governmental Affairs
on August 3, 1999*

SUMMARY

H.R. 974 would establish two new federal grant programs. Beginning in fiscal year 2000 and for the succeeding five years, the bill would authorize a new college access scholarship program administered by the Mayor of the District of Columbia and would authorize a new federal payment to the University of the District of Columbia (UDC).

Assuming appropriation of the necessary amounts, CBO estimates that H.R. 974 would result in additional discretionary spending of \$9 million in 2000 and \$72 million over the 2000-2004 period. H.R. 974 would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply.

The act contains an intergovernmental mandate that would affect the District of Columbia. CBO estimates that complying with this mandate would entail no net costs. This legislation would have no effect on the budgets of other state, local, or tribal governments. H.R. 974 contains no private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated federal budgetary impact of H.R. 974 is presented in the following table. The costs of this legislation fall within budget function 500 (education, training, employment, and social services).

ESTIMATED BUDGETARY EFFECTS OF H.R. 974

	By Fiscal Year, in Millions of Dollars					
	1999	2000	2001	2002	2003	2004
SPENDING SUBJECT TO APPROPRIATION						
Tuition Grants						
Estimated Authorization Level	--	17	10	13	16	17
Estimated Outlays	--	7	10	13	16	17
Federal Payments to UDC						
Estimated Authorization Level	--	2	2	2	2	2
Estimated Outlays	--	2	2	2	2	2
Total Authorizations Under H.R. 974						
Estimated Authorization Level	--	19	12	15	18	19
Estimated Outlays	--	9	12	15	18	19

Note: Numbers may not sum to totals due to rounding.

BASIS OF ESTIMATE

For purposes of this estimate, CBO assumes that H.R. 974 will be enacted prior to October 1, 1999.

Tuition Assistance

H.R. 974 would establish scholarships, administered by the Mayor, designed to provide financial assistance to District of Columbia (D.C.) residents who choose to attend public colleges outside of D.C. or private postsecondary institutions in D.C. or in one of the surrounding jurisdictions in Maryland or Virginia. Public institutions initially eligible for the grants would be located in Maryland or Virginia, but the act would allow an extension to other states if the Mayor finds access is limited by preferences afforded in-state residents. The private school tuition grants would be restricted to nonprofit institutions. The act would authorize an appropriation for fiscal year 2000 of \$12 million for the public institution program and \$5 million for the private school program. The authorizations for 2001 through 2005 are for such sums as may be necessary.

Eligibility for the tuition assistance would be limited to individuals who graduate from high school or receive an equivalent of a secondary school diploma after January 1, 1999, reside in D.C. for at least 12 consecutive months prior to beginning the freshman year in an eligible institution, and begin their postsecondary school course-of-study within three years of their high school graduation. For those who wish to attend state-supported public institutions outside of D.C., H.R. 974 would provide scholarships equal to the difference between the tuition paid by residents of the state in which the institution is located and the tuition charged to nonresident students, but not to exceed \$10,000. In addition, the bill would authorize a \$2,500 maximum annual scholarship for those who choose to attend a private institution in D.C. or in one of the surrounding jurisdictions in Maryland or Virginia. The assistance under each portion of the program would be prorated if the student is enrolled in a less than full-time program.

CBO estimates that H.R. 974 would authorize funding for the tuition grants—including administrative costs—totaling \$74 million over the 2000-2004 period. The outlays would amount to \$64 million over the five-year period. (CBO estimates that the \$17 million authorized for 2000 would be \$10 million more than necessary to fully fund the program in that year.)

The act would authorize the tuition grant program to begin awarding grants as soon as January 2000. As a result, CBO estimates that about 1,000 students would begin receiving assistance during the 1999-2000 academic year at a cost of \$1.3 million. CBO estimates that about 2,000 students would receive tuition assistance under this program in academic year 2000-2001. Of this total, about 900 would attend public institutions and receive grants averaging \$3,500; 1,100 would attend private institutions and receive grants averaging \$2,100. By academic year 2004-2005, an estimated 5,600 students would receive tuition assistance—2,500 attending public institutions and 3,100 enrolled at private institutions.

To determine the number of D.C. residents eligible for the grants, CBO used the 1996-1997 Integrated Postsecondary Education Data Analysis System (IPEDS). Those data show the distribution of D.C. residents attending their first year of college by institution type and location. CBO assumes that the distributional characteristics observed for freshmen are the same at each undergraduate grade level and applied those distributions to the total number of D.C. residents enrolled in institutions of higher education during the 1996-1997 academic year. To predict enrollment for 2000 and beyond, CBO relied on the growth rates for the national enrollment projections from the National Center for Education Statistics.

The basic enrollment assumptions were modified to reflect behavioral responses on the part of students. CBO assumed that there would be a small change in the distribution of students

among institutions—that UDC would lose a modest share of its enrollment of D.C. residents to two-year and four-year public institutions in Maryland and Virginia, and postsecondary institutions outside of Maryland, Virginia, and D.C. would lose a small share of their enrollment of D.C. residents to four-year public colleges and universities in Maryland and Virginia or to the private institutions covered by the act.

To determine the average tuition grant, CBO used 1996-1997 IPEDS data to determine the average in-state and out-of-state tuition rates by school type. CBO inflated these rates by the College Board’s average estimate of tuition increases to arrive at the tuition costs for 2000. To estimate future tuition increases, CBO used its baseline projections for the Gross Domestic Product price index.

Finally, CBO added administrative costs which, under H.R. 974, could equal a maximum of 7 percent of total program costs.

Payments for UDC

H.R. 974 also authorizes \$1.5 million annually over the next six years to make federal payments to UDC that would fund activities similar to those authorized under part B of title III of the Higher Education Act of 1965, which provides assistance to historically black colleges and universities. As for similar federal payments to the District of Columbia, estimated outlays equal budget authority in each year.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 974 contains an intergovernmental mandate as defined in UMRA, but CBO estimates that complying with this mandate would entail no net costs. The bill would impose certain administrative requirements on the Mayor of the District of Columbia in connection with the scholarship program. Because these requirements would not be conditions of federal assistance, they would be mandates as defined in UMRA. A portion of the federal grants for the scholarship program would be available to cover the costs incurred by the District of Columbia in carrying out those administrative requirements. H.R. 974 would have no impact on the budgets of other state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 974 contains no private-sector mandates as defined in UMRA.

PREVIOUS CBO ESTIMATE

On May 24, 1999, CBO produced a cost estimate for H.R. 974 as ordered reported by the House Committee on Government Reform. CBO estimated that, to fully fund the activities authorized by that version of H.R. 974, the Congress would have to provide appropriations of \$117 million for 2000 and \$603 million over the 2000-2004 period.

Under the House version of the bill, the tuition assistance program would cost \$390 million over the first five years. Unlike the Senate-reported legislation, which would restrict the public institution enrollment only to schools in Maryland and Virginia, the House bill would extend the tuition assistance benefits to D.C. residents enrolled in any public post-secondary institution in the country. Similarly, coverage for the private school assistance under the House version would be available on behalf of a D.C. resident attending a private school anywhere in Maryland, Virginia, or the District of Columbia. Moreover, CBO estimated that about one-half of all nonresident sophomores, juniors, and seniors attending private colleges in D.C. would elect to claim D.C. residency in order to qualify for tuition assistance. Under the Senate version of H.R. 974, CBO estimates that very few nonresident students would file for D.C. residency because the act would require that the student be domiciled in D.C. for 12 continuous months prior to enrolling in the freshman year of an undergraduate baccalaureate degree program.

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